



GARY D. SHAMBAUGH
Principal & Director

AUS CONSULTANTS

275 Grandview Avenue, Suite 100
Camp Hill, PA 17011
717.763.9890 • Tel
717.763.9931 • Fax
gshambaugh@ausinc.com

March 4, 2014

Mr. Brandon M. Frey, Executive Counsel
Louisiana Public Service Commission
Office of the General Counsel
602 North Fifth Street (Galvez Bldg.)
Baton Rouge, LA 70802

RE: RFP 14-03 Docket No. R-32138
Wastewater Treatment Systems &
Operations, LLC, ex parte.

Dear Mr. Frey:

AUS Consultants is pleased to respond to the Louisiana Public Service Commission's request for a proposal on the above referenced matter.

Introduction to AUS Consultants

AUS Consultants has been delivering unsurpassed consulting services to the utility industry since 1967. Our expertise includes all aspects of the utility regulatory and ratemaking arenas, as well as the valuation field. Because we focus exclusively on the utility industry, we have developed deep industry expertise and experience, which we pass on to our clients, providing first-rate service and ensuring a professional work product.

Our consultants have decades of experience, are well respected throughout the industry, and understand the strategic issues faced by today's utility professionals and regulators. All our consultants are utility experts and have advised utilities as well as regulatory commissions. AUS Consultants is currently under contract with the Regulatory Commission of Alaska and has recently been an advisor to the Mississippi Public Service Commission. AUS Consultants was also involved with the review of Density Sewer formula rate plan on behalf of the Louisiana Public Service Commission.

AUS Consultants' professional staff is comprised of individuals that have expertise in various rate making disciplines.

I. Scope of Representation

AUS Consultants' professional staff has successfully prepared utility rate filings in numerous states for both water and wastewater utilities. Our work with investor owned and publically owned utilities coupled with our regulatory advisory experience uniquely qualifies AUS Consultants to

participate in this proceeding that addresses many inter-related issues surrounding the capitalization of fixed capital assets and the appropriate cost recovery of those assets through customer's rates.

AUS Consultants will demonstrate our qualifications and capabilities of undertaking this project on behalf of the LPSC in Part III. of this response.

II. Period of Presentation

AUS Consultants understands that the time period for the completion of the project can vary based on whether the matter is contested, but is expected to last 2-4 months. AUS Consultants would request reasonable advance notice of scheduled meetings for schedule considerations and travel requirements.

III. Minimum Requirements

Mr. Gary D. Shambaugh, Managing Principal of AUS Consultants has over forty (40) years' experience in all areas of utility ratemaking for water and sewer utilities. He has been accepted as an expert on water and sewer financial matters and testified before numerous regulatory agencies, including the Louisiana Public Service Commission, civil and county courts from Massachusetts to Florida and Federal Bankruptcy Courts in Louisiana and Pennsylvania.

Mr. Shambaugh's previous testimony before the Louisiana Public Service Commission included but was not limited to, the following disciplines:

- Financial Viability
- Appropriate Rate Making Accounting
- Appropriate Accounting / Recording Standards
(NARUC Uniform System of Accounts)
- Capital Structure / Cost of Equity
- Rate Base Elements
 - Used and Useful Plant
 - Cash Working Capital
 - Depreciation
 - Customer Deposits
- Fully Allocated Cost of Service
- Customer Tariff Rate Design
- Affiliated Charges
 - Regulated and Non-Regulated
- Allowable Recovery of Taxes
 - Including Tax Loss Carry Forwards
- Formula Rate Plans.

Mr. Shambaugh was the primary consultant for Total Environmental Solutions, Inc. ("TESI") from December 2000 through 2007. In that capacity, Mr. Shambaugh was responsible for assessing



reasonable rate making costs, assessing prudent investments, determining used and useful rate base elements and filing for rate relief for TESI's operations in six (6) states. Mr. Shambaugh also was successful in restructuring TESI's \$22 million of long-term debt.

During the consulting period for TESI, Mr. Shambaugh addressed, at the minimum, all issues outlined as items A through H listed under "Minimum Requirements" as contained in the proposal. In addition, Mr. Shambaugh worked with the client to accurately capitalize fixed capital assets, establish work order systems and ensure reasonable capital recovery of those investments.

Mr. Shambaugh and his associates teach the Advanced Regulatory Training for water and wastewater utilities at New Mexico State University's Center for Public Utility Programs. He was a guest speaker at Michigan State University's Advanced Utility Programs and presented before the NARUC Water Committee in November 2011 relative to alternative rate designs and rate decoupling options, including Formula Rate Plans.

Mr. Shambaugh has extensive knowledge regarding the development of used and useful utility plant in service, capitalization of fixed capital assets, procedures for establishing depreciated original costs for rate making purposes, development of original costs studies and the establishment of continuing property records.

Mr. Shambaugh and his associates have extensive experience in water and wastewater. They have completed assignments in the development of annual revenue requirements for rate making purposes, completed and reviewed fully allocated cost of service studies for rate cases and civil litigation purposes. They have been assigned projects that included the review and development of alternative rate design models, such as, rate decoupling, straight fixed variable and formula rates. They have performed numerous utility plant in service inventories of water and wastewater systems to determine the original cost values and theoretical accrued depreciation values for rate making and acquisition purposes. Mr. Shambaugh has testified numerous times relative to fixed capital plant values and recently completed a business enterprise valuation of 35 water and sewer systems in Mississippi.

AUS Consultants has recently assisted the Regulatory Commission of Alaska in the review of rate filings for several energy utilities.

Mr. Shambaugh will be designated as Project Manager. AUS Consultants has a number of technical staff personnel that will also be available to assist Mr. Shambaugh as follows:

Dylan W. D'Ascendis, Principal
David A. Sheffer, Senior Consultant
Selby P. Jones, III, Regulatory Analyst

Mr. D'Ascendis also has experience before the Louisiana Public Service Commission. He has testified to capital structure and rate of return for Louisiana Water Service in 2013.

The resumes of the key personnel are attached to this proposal. Please visit our website at www.ausinc.com for further information about AUS and our regulated and non-regulated businesses.



IV. Estimate Cost

AUS Consultants estimates the professional fees for the project as it relates to utility plant in service and the “used and usefulness” of the claimed fixed capital plant improvements as follows:

1. Review Company’s Data	\$19,500
• Company Financial Data	
• Work Order Analysis	
• “As Built” Maps	
• Capitalization Records	
2. Discovery	7,500
• Draft Data Requests	
• Analyze Responses	
3. Recommendations to Commission	10,000
• Support for Commission & Staff	
• Draft Status Memoranda	
• Testimony	
• Assist Legal Counsel	
• Attendance at Meetings ¹	
Total Professional Fees	<u>\$37,000</u> ²

AUS Consultants’ hourly rates for our professional staff for this project are as follows:

	<u>Professional Fee Rate / Hourly</u>
Gary D. Shambaugh	\$185
Dylan W. D’Ascendis	170
David A. Sheffer	155
Selby P. Jones	140

¹ AUS Consultants’ proposal includes attendance at two (2) meetings and/or hearings in Louisiana. Additional meetings that maybe required can be negotiated prior to the execution of a formal agreement.

² The professional fees estimated by job function are based upon the request for proposal. AUS Consultants reserves the right to redistribute the professional fees by job function.



Out-of-pocket expenses, in addition to the professional fees, will be invoiced at cost for travel, living, clerical, communication, production and delivery. AUS Consultants' rate for clerical is \$75 per hour. AUS Consultants estimates total out-of-pocket expenses at \$8,500 for a **total budget of \$45,500**. AUS Consultants reserves the right to redistribute and utilize the total budget in the performance of this project.

AUS Consultants bills monthly and invoices are due and payable upon receipt. AUS Consultants reserves the right to cease work for non-payment of outstanding invoices.

V. Conflict of Interest

AUS Consultants has no previous or current contracts with privately owned utilities in Louisiana that would result in a conflict of interest.

VI. Disclaimer

No response required.

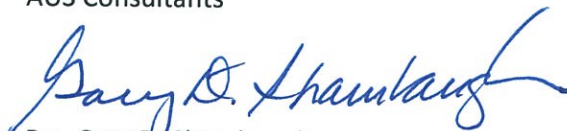
VII. Billing Guidelines

AUS Consultants has reviewed the Commission's billing guidelines and will comply with those requirements. AUS Consultants typically requests pre-approval for travel with estimated costs identified.

Closure

AUS Consultants appreciates the opportunity to provide our professional services and extensive experience to the Commission and Staff in this matter. Should you desire to discuss our proposal, please contact the undersigned.

Respectfully Submitted,
AUS Consultants


By: Gary D. Shambaugh